TOYO TANSO
Inspiration for Innovation

Toyo Tanso Co., Ltd.

Results for the Fiscal Year Ended May 31, 2011

July 2011

Toyo Tanso Co., Ltd.

Toyo Tanso Co., Ltd.

Results for the Fiscal Year Ended May 31, 2011

Part 1 Summary of Consolidated Results

Masao Nakahara, Senior Managing Director

Part 1　1. Key Points of Fiscal 2011 Financial Results

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Point 1

Sales rose 30% from the previous year thanks to our success in capturing the brisk demand for products for solar cell, LED and other environmental and energy applications and our proactive efforts in adding high value to our products.

Point 2

Our overseas sales ratio reached 60% (ratio of sales to Asia: 42%) as we met increased demand from China, South Korea and other emerging countries.

Point 3

Recurring profit recovered rapidly, posting a 2.7-fold year-on-year upsurge, weathering the impact of the sharp appreciation of the yen and steep rise in depreciation costs stemming from our active investment.

Point 4

Our focus on expanding sales of high value-added products, especially coating and C/C composite products, and our success in acquiring new applications and orders along with price hikes in the latter half of the fiscal year contributed to our increased profit.

Part 1 2. Results for the Fiscal Year Ended May 31, 2011

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(Unit: Yen, millions)

	FY10/5	FY11/5	Change	% increase
Net sales	27,924	37,577	9,632	34.5%
Operating profit	2,253	5,868	3,615	160.4%
(Ratio of operating profit to net sales)	8.1%	15.6%		
Recurring profit	2,070	5,614	3,544	171.2%
(Ratio of recurring profit to net sales)	7.4%	14.9%		
Net income	1,442	3,699	2,257	156.5%
Net income per share	69.56 yen	178.43 yen		
Exchange rate	92.0 yen/$ 129.3 yen/€ 13.6 yen/ CNY	84.0 yen/$ 112.9 yen/€ 12.7 yen/ CNY		

Notes

1. Net sales

Net sales surged to a record high of 37.5 billion-yen, withstanding the losses incurred from a stronger yen.

By application, net sales were driven by demand for products, particularly for the production of solar cells as well as that for compound semiconductors, primarily for LEDs. By region, sales in Asia, chiefly China and South Korea, rose significantly.

2. Recurring profit and operating profit

We recorded a recurring profit of ¥5.6 billion, a 2.7-fold upsurge from the previous year, despite a stronger yen, high depreciation costs and some negative impact from the earthquake disaster at the end of the fiscal year.

In addition to the rise in marginal profit from increased net sales, expanded sales of high value-added products, such as coating and C/C composite products, and price hikes contributed to the increased profit.

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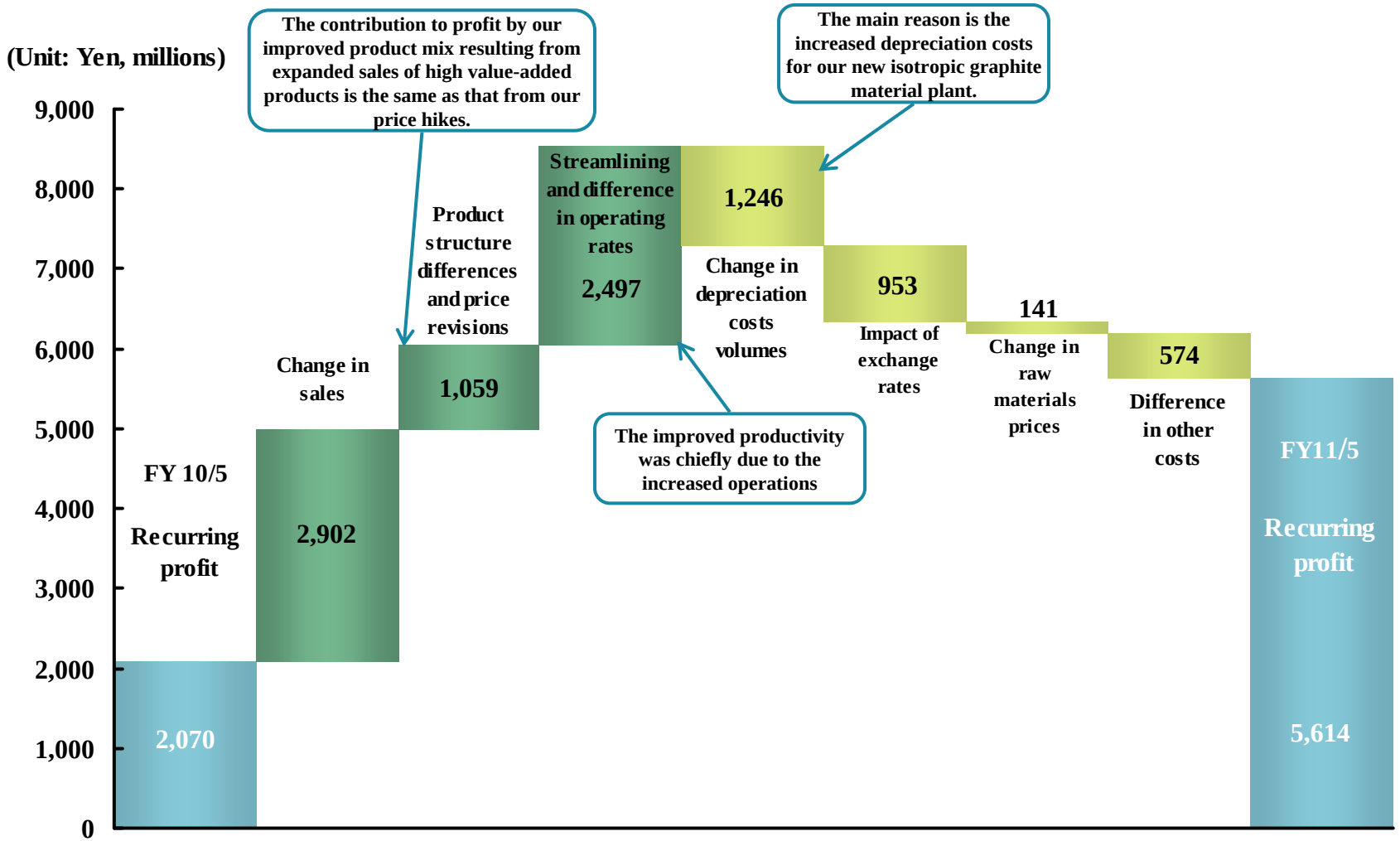
Recurring profit rose sharply, buttressed by expanded sales, an improved product mix and price hikes, which eclipsed the effects of increased depreciation costs and the strong yen.



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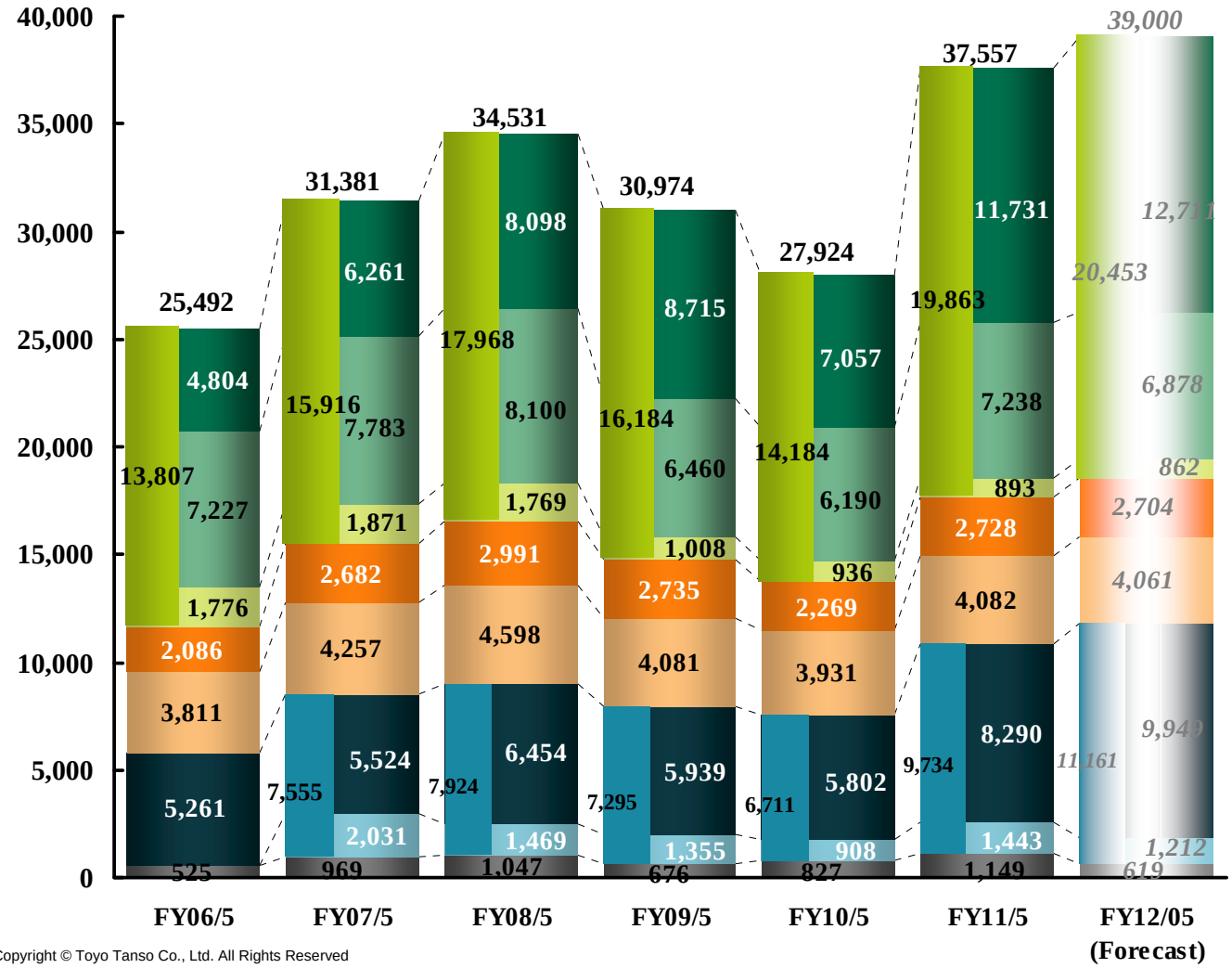
Net sales were driven by special graphite products (for electronics applications) and compound materials

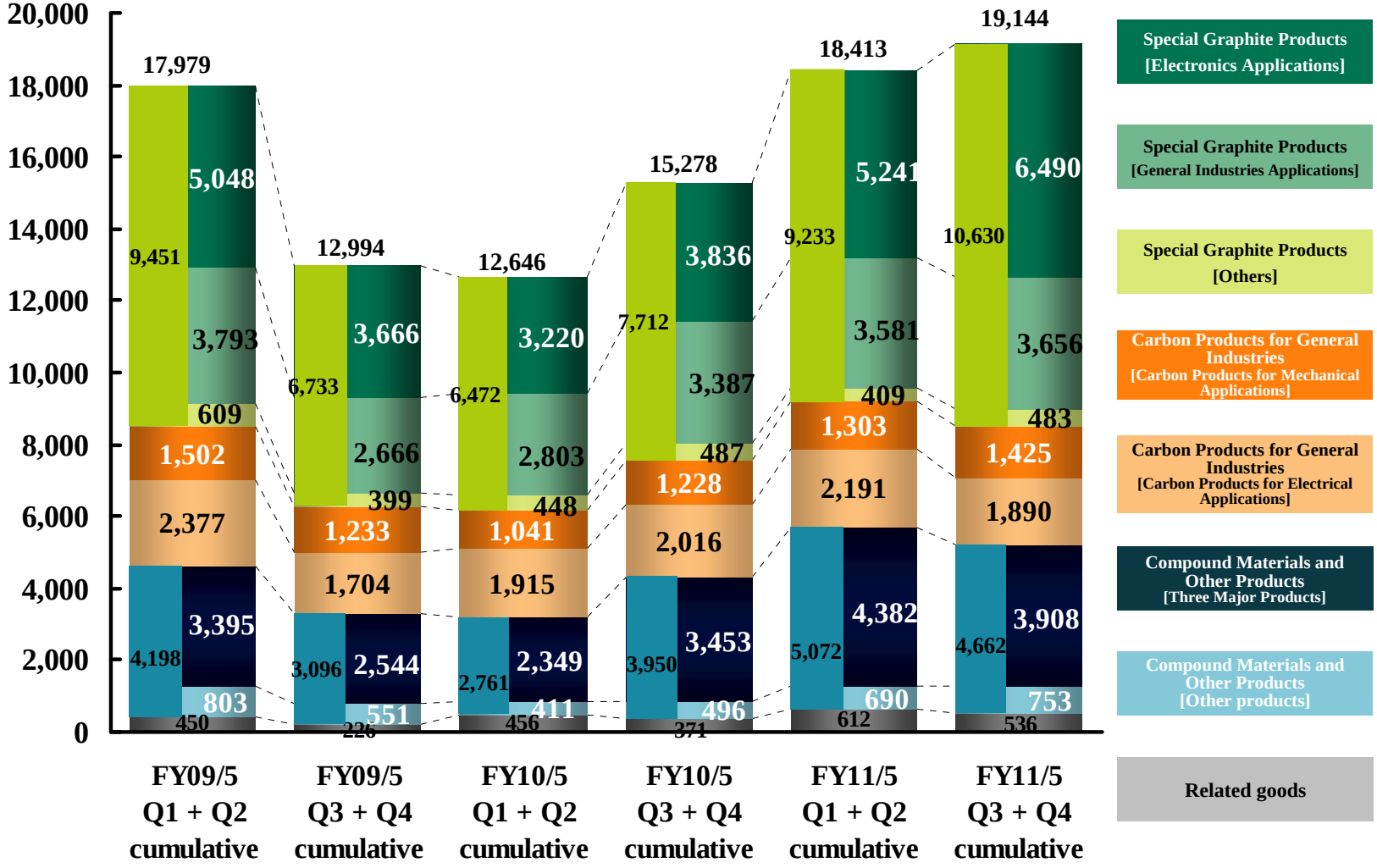
(Unit: Yen, millions)



(comparison with previous year)

Special Graphite Products [Electronics Applications]	(+ 66.2%)
Special Graphite Products [General Industries Applications]	(+ 16.9%)
Special Graphite Products [Others]	(- 4.7%)
Carbon Products for General Industries [Carbon Products for Mechanical Applications]	(+ 20.2%)
Carbon Products for General Industries [Carbon Products for Electrical Applications]	(+ 3.8%)
Compound Materials and Other Products [Three Major Products]	(+ 42.9%)
Compound Materials and Other Products [Other products]	(+ 58.9%)
Related goods	(+ 38.9%)

(Unit: Yen, millions)



Part 1 5. Earnings Forecast for the Fiscal Year Ending May 31, 2012

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(Unit: Yen, millions)

	FY11/5	FY12/5	Change	% increase
Net sales	37,557	39,000	1,442	3.8%
Operating Profit	5,868	5,300	(568)	(9.7%)
(Ratio of operating profit to net sales)	15.6%	13.6%		
Recurring profit	5,614	5,300	(314)	(5.6%)
(Ratio of recurring profit to net sales)	14.9%	13.6%		
Net income	3,699	3,400	(299)	(8.1%)
Net income per share	178.43 yen	163.98 yen		
Exchange rate	84.0 yen/$ 112.9 yen/€ 12.7 yen/ CNY	80 yen/$ 110 yen/€ 12.3 yen/ CNY		

Notes

1. Net sales

Demand for products, particularly for environmental and energy applications such as solar cells and LEDs, continued to expand primarily in Asia. We assume that the environment surrounding carbon will be positive. We forecast increased sales in spite of prospective losses from a stronger yen.

That said, we expect demand for products for solar cell manufacturing to undergo a temporary adjustment period in our core Chinese market in the latter half of the fiscal year. Expanded sales of high value-added products, such as compound materials, are expected to offset the impact of such an adjustment.

2. Operating Profit/Recurring profit

We decided to invest in efforts to strengthen our capabilities and develop high value-added products as well as research and development for future growth. Although the burden of advanced investment, depreciation costs and a strong yen will weigh down the company, we will strive to make up for it with expanded sales of high value-added products and price hikes.

Part 1 6. Factors Affecting Changes in Recurring Profit (Fiscal 2010 vs. Fiscal 2011)

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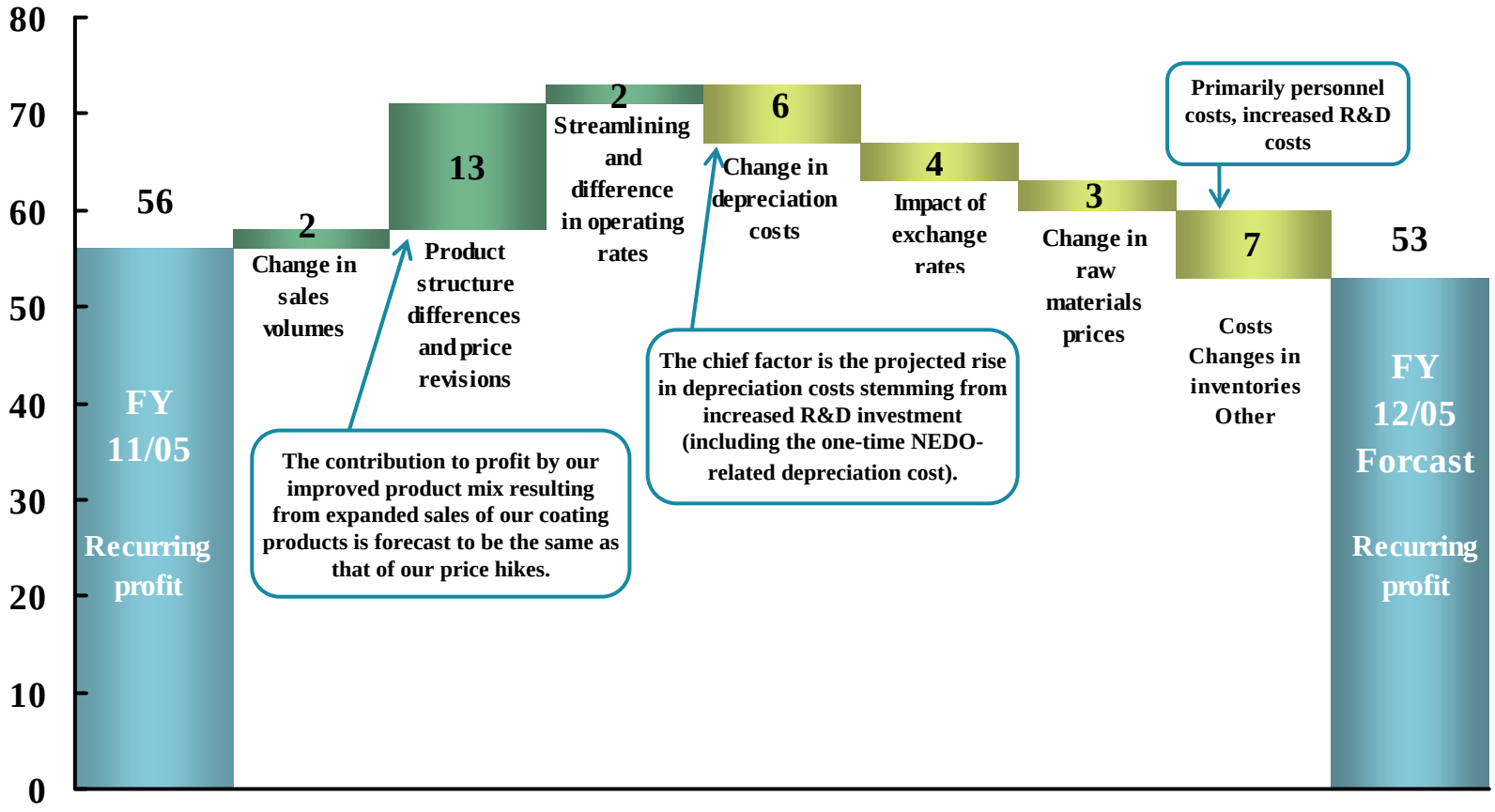
We project only a slight decrease in recurring profit as the improved product mix and price hikes cushion the impact of the increased depreciation costs and advance expenditures as well as the strong yen.

(Unit: 100 mil. Yen)



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Results for the Fiscal Year Ended May 31, 2011

Part 2 Future management strategy

-As a front-runner in high-functional carbon -

Naotaka Kondo, President

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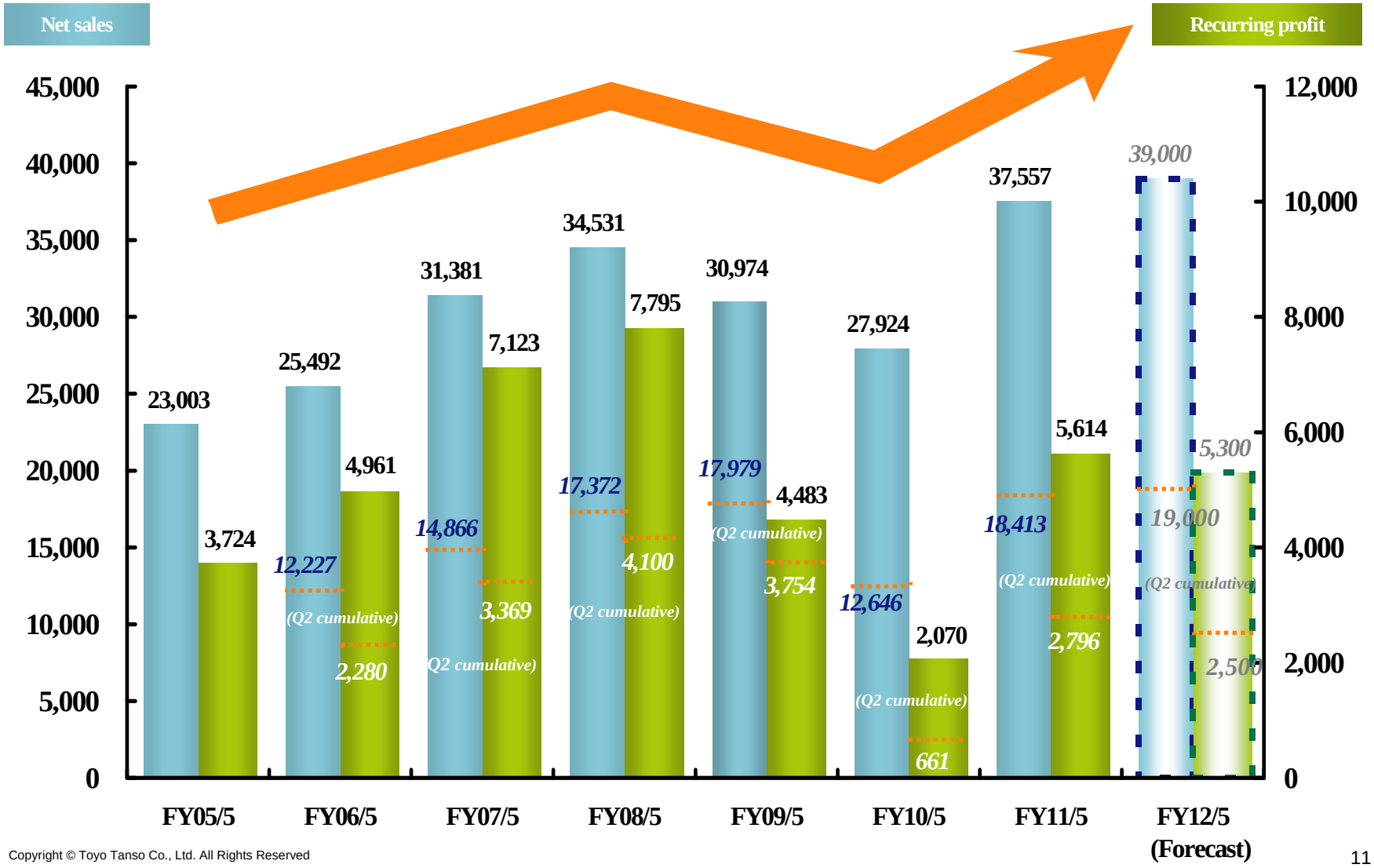
Sales and recurring profit recovered rapidly. Back on a growth track

(Unit: Yen, millions)



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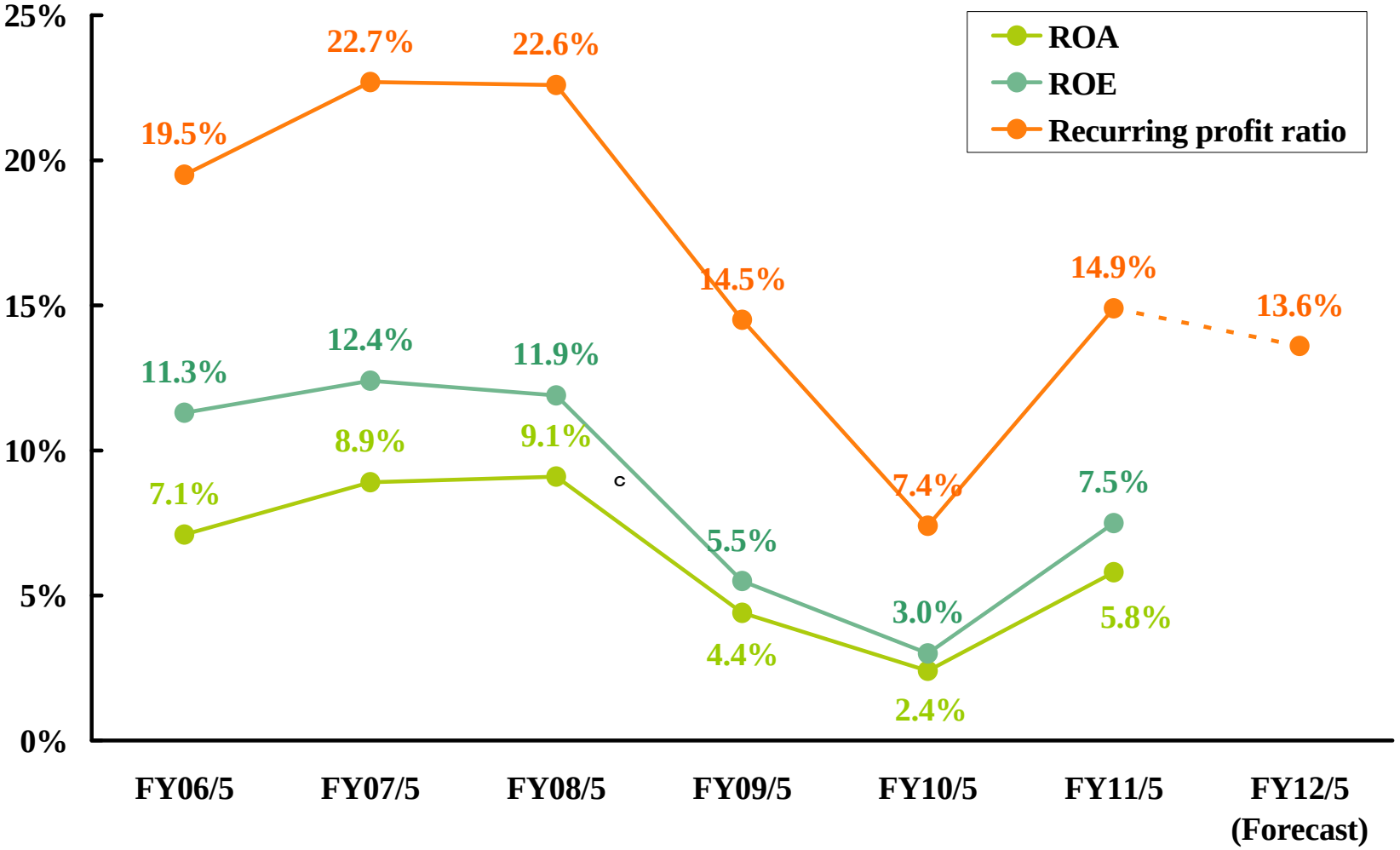
Recurring profit ratio recovered to the 15% level.
Considering the possibility of ROE reaching the double-digit level.



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Summary of Results for the Fiscal Year Ended May 31, 2011

- **Fortunately, our results were virtually unscathed by either direct or indirect impacts of the earthquake disaster.**
- **We achieved a sharp increase in sales and profit largely due to expanded sales of products for solar cell, LED and other environmental and energy applications.**
- **Particularly, increased sales of high value-added products (coating and C/C composite products, etc.) and price hikes contributed to our favorable results.**
- **Globalization centering on Asia has accelerated.**

Outlook for Results for the Fiscal Year Ending May 31, 2012

- **We assume that the indirect effect of the disaster, albeit uncertain, will probably be slight. In fact, it may even have a positive aspect.**
- **Demand for environmental and energy applications remains brisk. However, the somewhat overheated demand for solar cells might undergo an adjustment in the latter half of the fiscal year.**
- **We will continue to focus on the development of high value-added products and price hikes.**
- **We will push forward efforts to invest actively (laying the groundwork for and expanding and upgrading production and R&D systems) for the future.**
- **Although we are making steady progress with our high-temperature gas reactor project in China, it won't get fully under way until after the next fiscal year.**

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To expand actively and invest strategically in terms of both quality and quantity

To invest primarily in R&D for future growth

To accelerate our global expansion

To promote the “improvement/innovation movement” aimed at improving productivity, which is an eternal theme

To balance our shareholder returns of profits with our investments for the future as a growing company

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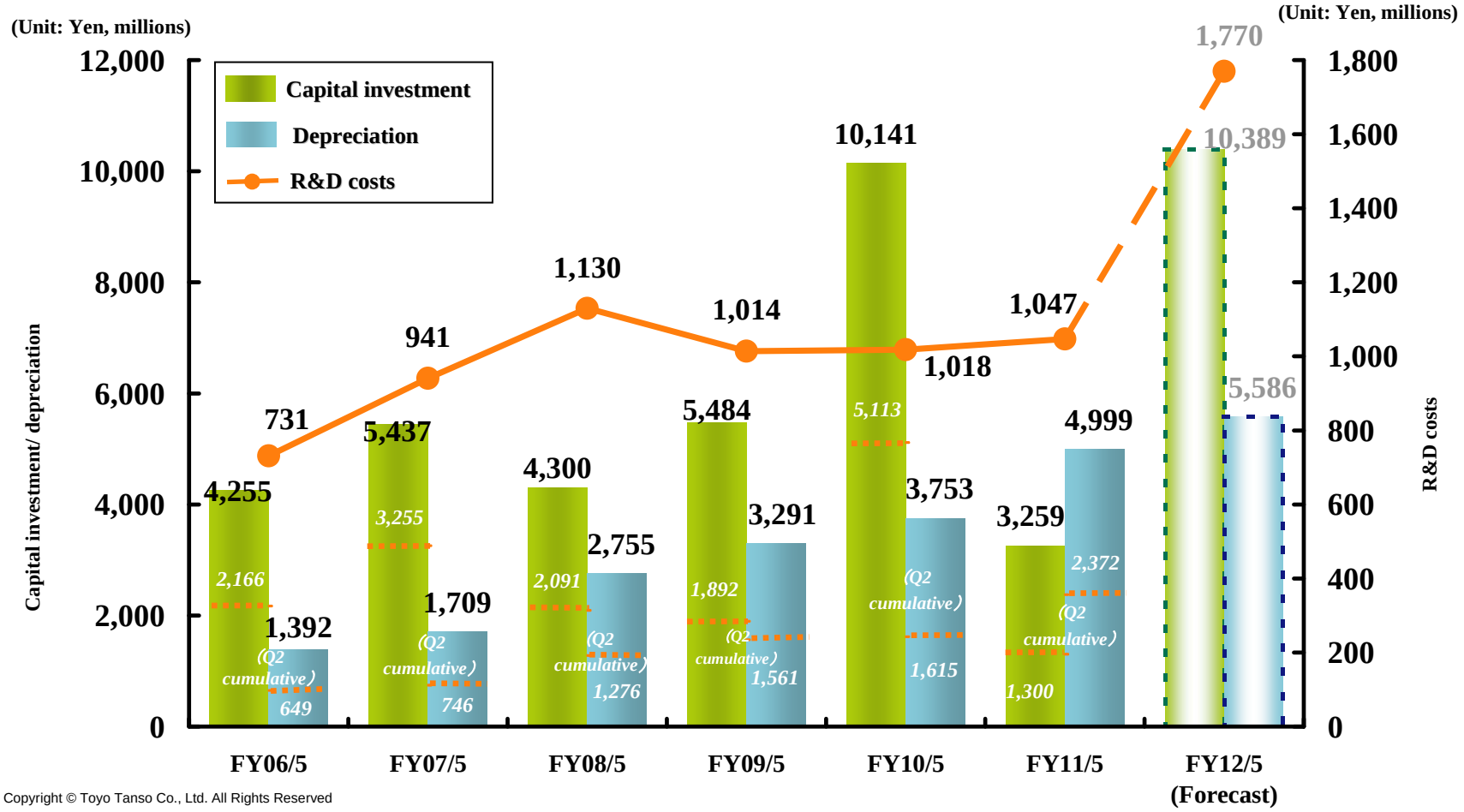
To expand actively and invest strategically in terms of both quality and quantity
-Trends in capital investment, depreciation and R&D costs-

Investment in the fiscal year ended May 31, 2011 was at a low level due partly to the postponement of some investments.
To resume active investment in R&D and other areas for future growth



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To expand actively and invest strategically in terms of both quality and quantity

-Primary strategic capital investments-

	Isotropic graphite To expand new plant	C/C composite Construction of new plant	Coating Expansion and upgrading of production system
Production scale	"Increase by roughly 20%" from current level	"Roughly double" that of the current level	1st period: "roughly triple the size" of that in 2009 2nd period: an additional increase of "roughly 30%"
Operating period	From the beginning of fiscal 2013 (Expected to fully contribute to sales from fiscal 2013 2Q)	From the summer of 2012 to the summer of 2013 (phased augmentation)	1st period: already running in spring 2011 2nd period: spring 2012
Outline of facilities	To enlarge new plant in Takuma (3rd plant)	To build a new dedicated, integrated plant on an adjacent vacant lot	To augment manufacturing processes in Japan (Ohnohara plant) and the U.S.
Amount of investment incl. buildings, incidental facilities	Scale of investment: Approx. 5 billion yen	Scale of investment: Approx. 3 billion yen	Scale of investment: Approx. 2 billion yen
Features and strengths	We aim to further differentiate our products and improve our competitiveness with this new plant, which is able to handle the manufacturing of primarily large and/or high-purity materials.	Facility that is able to handle the manufacturing of differentiated, high value-added products including ultra-large materials (more than 2 meters in diameter). Equipped with an integrated production line that is designed to take into consideration automation as well as material handling.	To incorporate cutting-edge manufacturing processes and operating and management know-how and further reinforce the strengths of the integrated process from material development, processing and coating through inspection.

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To invest primarily in R&D for future growth

-To expand and upgrade R&D infrastructure and system for further growth-

To strengthen basic development capabilities

☆By introducing state-of-the art manufacturing research equipment

1. By introducing cutting-edge equipment to create original technologies and products

2. By aiming to vastly differentiate our products from those of the competition and speed up the augmentation of our basic research development capabilities

➢To invest a total amount of about 1 billion yen in plant and equipment

To focus investment on growth areas

☆To devote our efforts to environmental and energy applications

1. By focusing our efforts on developing compound technologies and products such as those upgrading surface modification techniques and developing a class of porous carbon

2. By establishing the Green Innovation Development Department

3. By having our development projects adopted by the New Energy and Industrial Technology Development Organization's (NEDO) Innovation Promotion Program

➢To promote relevant investment totaling about 500 million yen

To increase and develop human resources and strengthen our system

☆To build up a sturdy development system

1. By significantly increasing the number of personnel by promoting recruitment of new, primarily young, staff

2. By laying the groundwork for an organizational system that strives for effective and efficient development

3. By strengthening the joint development system in alliance with universities, public organizations and customers

➢ To strategically increase research and development expenses

To strengthen existing competitiveness

Pillars of our operations going forward

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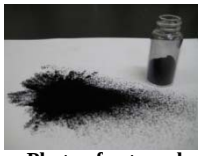
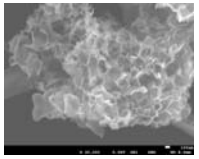
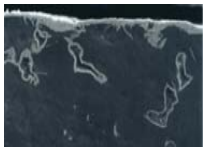
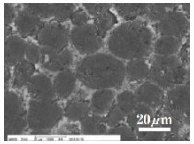
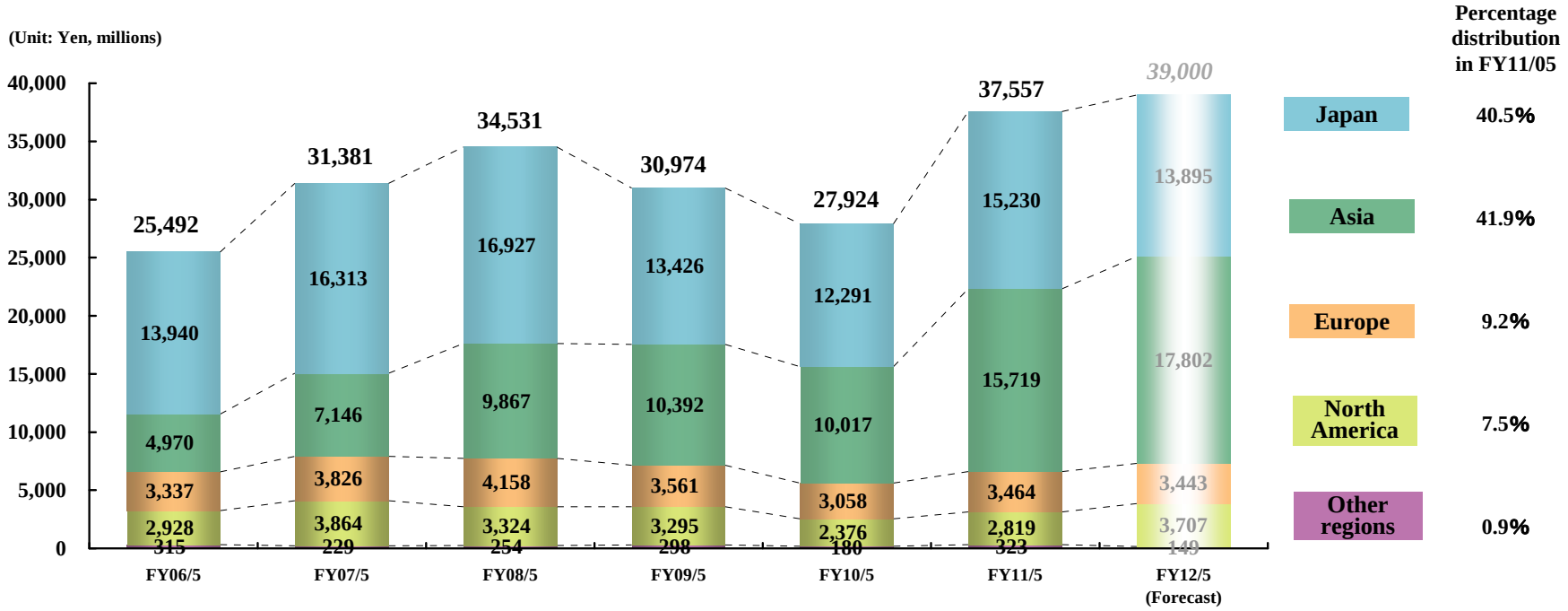
To invest primarily in R&D for future growth
-Seeds of products under development (examples)-

Products under development	Features	Phase/Progress	Targeted market	Images
Porous carbon – porosity control carbon powder	•Porous carbon powder that is microporous and mesoporous •It is possible to control the pore size and surface area	Design/manufacture trial phase (Work sample/under evaluation by clients)	New applications currently under consideration	 Photo of external appearance  TEM image
Metallized coating – carbonized metal-coated materials	•Coats arbitrarily shaped carbon-substrates with carbonized metal •Prevents dust emissions while sustaining the carbon's physical properties	Design/manufacture trial phase (Work sample/under evaluation by clients)	Submitted work samples for jig applications	 Photo of external appearance  Cross-sectional view
CBC – new composite material known as Carbon Bonded Ceramic	•CBC is a new carbon composite material that has a special microstructure •Lightweight, high-strength and flexible while having the features of both	Basic research phase (Phase at which small amounts are produced on a trial basis)	Under consideration mainly for special/highly advanced medical and other applications	 Photo of organization  Examples of application
MBC new composite material known as Metal Bonded Ceramic	•MBC is a new carbon composite material that has a special microstructure •The world's first carbon composite material that can undergo hot press processing	Basic research phase (Phase at which small amounts are produced on a trial basis)	Seals, slidable materials, heat sinks, etc.	 MBC's extrusion molding

To accelerate our global expansion

- ◆Overseas sales account for virtually 60% (59.5%) of net sales, with the presence of Asia (41.9%) expanding.
- ◆We have launched new sales operations in Singapore (August 2010) and India (March 2011).
- ◆The scale of the net sales of Shanghai Toyo Tanso Co., Ltd. (STT) has expanded to slightly less than ¥7 billion per annum. We have moved STT to a newly built plant (on 16-acre grounds) in October 2010 as we look towards further expansion.
- ◆We are currently exploring new areas into which to advance in accordance with the philosophy of “local production for local consumption" and "production in optimum locations.”

Sales trends by region



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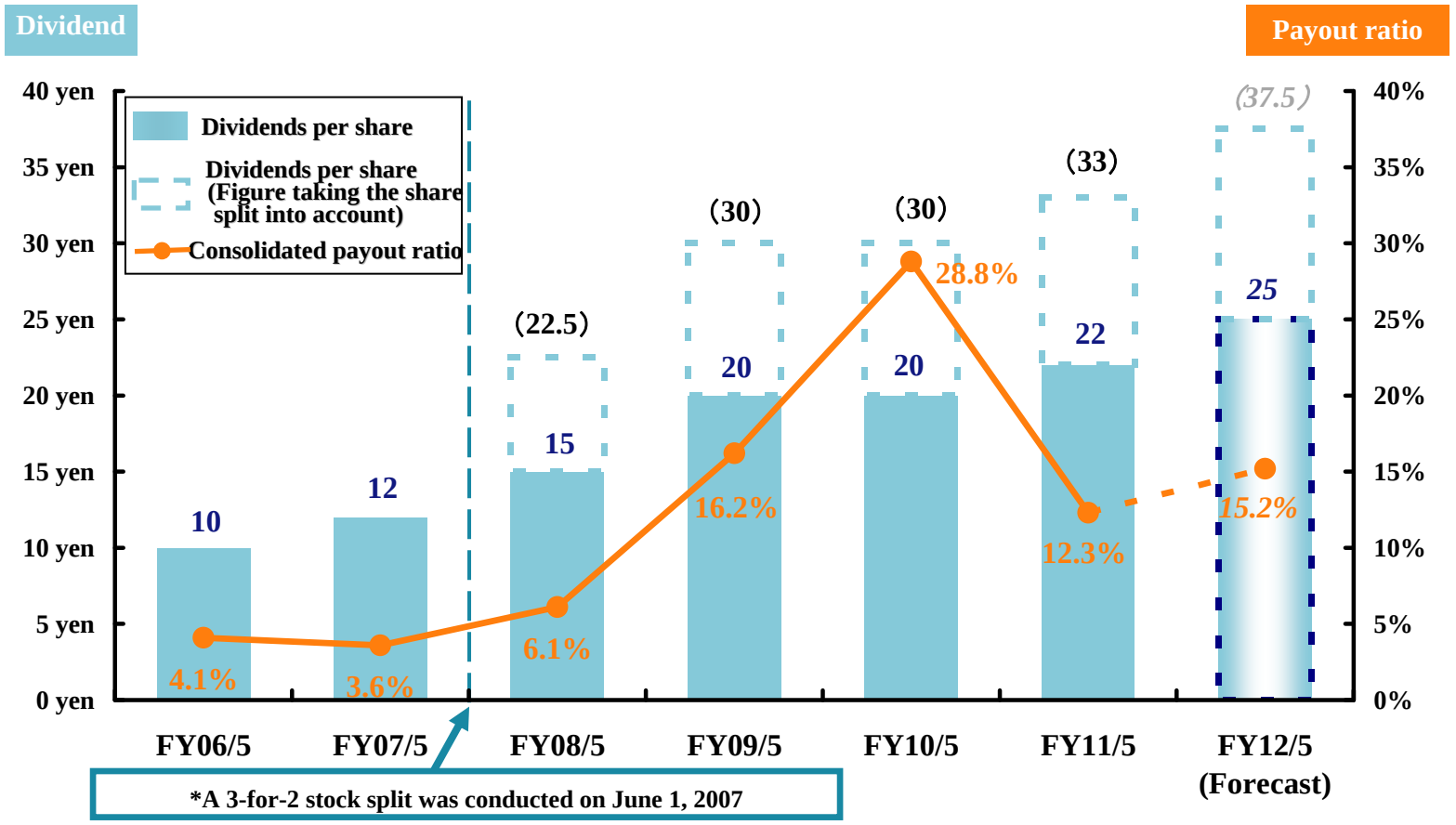
To balance our shareholder returns of profits with our investments for the future as a growing company

— Dividend Trend —

To continue to raise dividends while taking into account the balance between implementing such a hike and reinvestment for future growth.



(Supplementary material)
High hopes for nuclear application as we look toward the next generation

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1. Dawn of the Era of High-temperature Gas Reactors

- We received an exclusive order for graphite, which we are in the process of manufacturing, for the world's first commercial reactor (HTR-PM in China). We expect to record the sale in 2012 or thereafter. (Scale of sales: Billions of yen, roughly 1,500 t of graphite used)
- While light-water reactors presently dominate, expectations are rising worldwide for the next-generation of small, high-temperature gas reactors, featuring increasing efficiency, economic potential, and safety.
- A number of projects are underway or have been proposed, not only in China, but also in the United States (NGNP), South Korea, Kazakhstan, and elsewhere.
- The high-temperature gas reactor is also expected to lead the new energy cycle in the future if the environment for use as energy such as hydrogen and high heat is in place.
- We will actively make proposals for each project, calling on our strong track record in the adoption and accumulation of data and expertise in Japan and China.

Characteristics of the high-temperature gas reactor

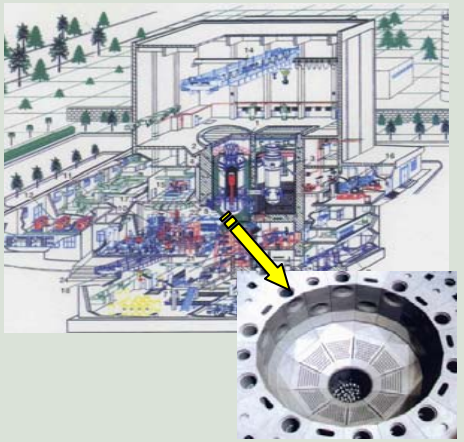
(1) High thermal efficiency
- Thermal efficiency is extremely high since it can take out heat of around 900ºC using helium gas.

(2) Unique safety
- The reactor core will not melt even in the worst case as graphite is used as the structural material for the reactor core.
- Does not use cooling water
- Changes in the temperature in the reactor core are moderate as the thermal capacity is large.

(3) Effective use of high heat
- High heat can be used effectively for the manufacture of hydrogen and the liquefaction and gasification of coal in addition to power generation.

(4) High economic efficiency through downsizing and modularization

Test reactor “HTR-10” at Tsinghua University in China



Role of graphite

- Graphite not only reduces the speed of high-speed neutrons but also has the characteristics of a reflective material that confines radiation.
- It is the best-suited and indeed only material for use as a structural material for reactor cores, because it has a high degree of heat resistance, heat conductivity, corrosion resistance and safety, among other features.

2. The ITER Plan: Creating the Sun on Earth

- Currently in the process of delivering our C/C composite and graphite materials to remodel “Breakeven Plasma Test Facilities (JT-60SA Project)” etc. by the Japan Atomic Energy Agency which supports the ITER project (Estimated total: 0.5 to 1 billion yen)
- Our high-performance carbons, including isotropic graphite and C/C composite materials, are expected to be adopted in not only the ITER plan, but will also be used in a broad array of major projects over the next 10 to 20 years, including projects (KSTAR of Korea) and prototype reactors in a number of countries that support the ITER plan and conduct complementary research.

International Thermonuclear Experimental Reactor (ITER)

- A large international project to “create the Sun on Earth” that aims to construct a fusion experimental reactor by demonstrating the scientific and technological feasibility of using fusion energy, said to be the ultimate energy, for peaceful purposes
- The ITER is being constructed in Cadarache, France and is expected to be completed in ten years. Seven countries and regions are involved: Japan, the European Union, Russia, the United States, China, Korea and India.
- Japan leads the world in high-temperature plasma and fusion technologies and plays a central role in promoting and supporting the ITER plan.

Toyo Tanso Co., Ltd.

Results for the Fiscal Year Ended May 31, 2011

Part 3 Supplementary Materials

Overview of Operations by Product and Segment
Notes and future outlook (1/2)

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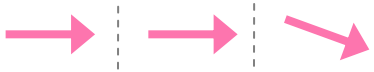
	Application		Image of net sales by application			Notes and future outlook
			FY11/5 Q1, Q2	FY11/5 Q3, Q4	FY12/5 Forecast	
Special graphite products	Electronics applications	**Products for solar cell manufacturing**				●The uptrend is expected to further accelerate in response to the growing demand for environmentally- friendly and energy-saving products. Demand in Asia, including our core market China as well as South Korea and Taiwan, is expanding rapidly and sharply. Sales in Japan, Europe and North America also remain strong. ●Net sales doubled in fiscal 2011 from the previous year and sales in the second half surged by more than 30% that of the first half, indicating that sales, in the current period as well, are continuing to expand sharply. Our major customers, namely China, South Korea and Taiwan, remain highly motivated to install solar cell manufacturing equipment and thus have many plans for such installations. ●Nevertheless, sales of some of these products may undergo an adjustment period in light of such factors as the increase in solar cell inventories in China. We will avoid leaning too heavily on this application and focus on selecting orders for outstanding customers and projects. ●Despite entering into short-term adjustment periods, sales are on a medium-to-long term growth trajectory. We will gain an edge by pushing forward with efforts, including differentiating our products from those of our peers, to reinforce our competitiveness.
		Products for single crystal silicon manufacturing				●If anything, sales in fiscal 2011 4Q had risen, thanks to the growth of overseas sales and the trend toward building up inventories and the fact that the earthquake disaster had left in effect only a minor impact. ●Sales roughly rose by 20% during the full year in fiscal 2011 compared to the previous year. Despite the weakness of the wafer market, the semiconductor market remained firm, buttressed by brisk sales of smart phones and other new devices.
	General industries applications and others	**Products for EDM electrode manufacturing**				●Regarding our core overseas markets, graphite demand continued to be strong in reaction to the favorable performance of the automotive and consumer electronics industries stemming from demand from newly emerging countries. ●That said, the mold industry in the domestic market is in a severe state owing to the strong yen and other structural problems. The outlook, including the indirect impact of the Great East Japan Earthquake, bears watching.
		Products for continuous casting and metallurgy, etc.				●Overseas and domestic demand is steadily recovering as a result of the turnaround of the economy and increased infrastructure investments, particularly in emerging countries. Sales of components used inside furnaces were also brisk. ●Despite concerns over the indirect impact of the earthquake disaster in Japan, we anticipate strong demand overall, given the firm performance of the automotive and semiconductor/electronic parts- related industries.

Overview of Operations by Product and Segment
Notes and future outlook (2/2)

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	Application		Image of net sales by application			Notes and future outlook
			FY11/5 Q1, Q2	FY11/5 Q3, Q4	FY12/5 Forecast	
Carbon products for general industries	Carbon products for mechanical applications	Products for general industries				●In the domestic market, mainstay bearings, seals, etc. recovered as the performance of pumps and air conditioners bounced back due partly to the impact of the economic stimulus measures. In addition, there has been an emergence in demand related to reconstruction assistance following the earthquake disaster. ●Overseas demand is finally picking up and expanding partly as a result of successful efforts to cultivate new customers, thanks to the recovery in the energy and infrastructure industries.
		Products for transport machinery				●Demand for pantograph sliders, which are largely unaffected by economic conditions, remains steady. It should be noted that our customers are moving to buy such products from multiple suppliers following the earthquake disaster. Moreover, we are continuing to push forward with efforts to advance overseas.
	Carbon products for electrical applications	Products for small motors				●Although demand had already been recovering mainly in our core Chinese market since the previous fiscal year, it has remained in an adjustment phase since the latter half of fiscal 2011 and price competition has intensified. Sales have been sharply eroded by the strong yen given that overseas sales account for 80% of net sales. ●Nevertheless, we forecast a gradual increase in sales, thanks to medium-to-long-term demand by newly emerging countries. We will push forward efforts to strengthen our global cost competitiveness and development capabilities.
		Industrial and automotive products, etc.				●Products for industrial uses emerged from their slump and are steadily recovering, but sales remains small. Demand for automobile use (fuel pumps, etc.) leveled off as overseas sales etc. offset concerns of a decline in line with a reduction in domestic auto production.
Compound materials and other products	Three major products	SiC coated graphite products				●Compound semiconductor products grew sharply primarily during the first half of the fiscal year, buttressed by the strong growth of LED-related products chiefly consisting of LCD backlights. Sales continued to be brisk, fueled partly by additional installations especially in South Korea, Taiwan and China and the uptrend in the domestic market. Sales at the outset of the second half of the fiscal year particularly to South Korea entered a correction phase due in part to a feeling that the market had overheated, but returned to a recovery path at the end of the term. ●Semiconductor-related products (for Si-Epi, etc.) have fully recovered. On the whole for all coating products, sales rose by approximately 30% in the full year compared to the previous year. To meet the growing demand, we are significantly expanding our production bases in both Japan and the United States. We aim to gain an edge over our rivals by increasing our competitive power in integrated manufacturing, from material development to processing and coating.
		C/C composite products				●Demand for large-scale crucibles for semiconductor manufacturing picked up owing partly to the completion of inventory adjustments by major customers. Domestic and overseas sales are expanding in line with an increase in the number of buyers. ●Sales of solar cell-related products continued to be robust. Sales rose dramatically, bolstered by demand stemming from some new projects and spot deliveries for products related to nuclear fusion reactors on an as-needed basis, etc. ●On the whole, sales surged by roughly 80% in fiscal 2011 compared to the previous year. We forecast an increase in sales and have decided to build a new plant dedicated to the production of C/C composite products that will double production capacity.
		Graphite sheets				●Primarily, our mainstay products for semiconductors and automobiles stayed on a recovery path and rose by approximately 20% in the full year compared to the preceding year. Sales temporarily stagnated, depressed by the termination of the eco-car subsidy program in Japan and repercussions of the earthquake disaster. But the impact of such factors was offset by sales of products for semiconductors. The strong upward trend is expected to continue going forward.

Balance Sheet for the Fiscal Year Ended May 31, 2011

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(Unit: Yen, millions)

	FY10/5	FY11/5
Total assets	61,786	65,191
Trade notes and accounts receivable	10,656	13,047
Inventory	10,910	12,454
Tangible fixed assets	28,290	26,162
Total liabilities and net assets	61,786	65,191
Interest-bearing debt	2,113	2,071
Capital	7,692	7,692
Net assets	48,960	51,748
Equity ratio	77.4%	77.5%

Notes

1. Trade notes and accounts receivable

Increase of 2,390 million yen from the end of FY10/05 owing to increased sales.

2. Inventory

Increase of 1,544 million yen from the end of FY10/5, as a result of the systematic accumulation of intermediate stock.

Statement of Cash Flows for the Fiscal Year Ended May 31, 2011

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(Unit: Yen, millions)

	FY10/5	FY11/5	Notes
Cash and cash equivalents at the end of the period	5,802	7,090	
Changes in cash and cash equivalents	(609)	1,288	
Cash and cash equivalents at the beginning of the period	6,412	5,802	
CF from operating activities	3,377	7,301	1. CF from operating activities Rose due to increased profit.
CF from investing activities	(4,103)	(5,380)	2. CF from investing activities Expenditures for the acquisition of tangible and intangible assets decreased while the cash inflow from proceeds from time deposits decreased. This resulted in an increase in cash outflow from investing activities.
CF from financing activities	252	(550)	

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Note: This presentation contains “forward-looking statements” and forecasts of business results. These statements are not historical facts but instead represent the Company’s beliefs regarding future events, many of which, by their nature, are inherently uncertain and out of the Company’s control. It is possible that the Company’s actual results may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements.

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